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ABSTRACT

It is too soon to know the effect of federal block grants on education, but one can speculate on their implications for fiscal management by looking at past block grant programs, examining the statutory provisions, and analyzing data available on states and cities. Past federal block grants have involved health, crime, community development, social services, and the Comprehensive Employment and Training Act. Reviewing their stability, accountability, administrative costs, and evaluations indicates that most lacked funding continuity, required different types of accountability, did not always reduce costs, and used varied evaluation methods. Also, program consolidation, as with Title IV of the Elementary and Secondary Education Act, need not require block grants. Statutory provisions in Chapter 2 of the Education Consolidation and Improvement Act of 1981 involve state maintenance of fiscal effort, use of block grants only as supplementary funds, obligation of funds, assurance of private school participation, tighter recordkeeping, and greater state involvement in evaluation. Statistical data show that overall federal aid has been reduced and redistributed, state allotments are unrelated to states' needs, local district allocations are adjusted for many factors, and districts in major urban areas will suffer substantial losses. (RW)

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Some Fiscal Management Implications of Federal Grant Consolidation

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Presented to
The Large Urban School Districts
Research Committee
Association of School Business Officials
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Some Fiscal Management Implications of Federal Grant Consolidation

by

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Introduction

My remarks will be based on the premise which follows. Education is investment in human capital. The allocative decisions relating to education, therefore, are investment decisions concerning man. The rate of return to that investment significantly will be impacted by the goals, scope, organization and management techniques accepted and utilized.

The Education Consolidation and Improvement Act (PL 97-35) was approved by Congress last summer as part of the Omnibus Budget Reconciliation Act. Chapter 2 of that legislation consolidated approximately twenty-eight special purpose categorical education programs into a single block grant, thus, affecting their goals, scope, organization and management. Because state and local education agencies were given far wider discretion in the use of federal funds, established national targets or goals were demphasized. Mandated eligibility of children enrolled in private schools consistent with the number of such children within the school district of a local educational agency vastly broaden the scope of the service population for consolidated programs. An altered configuration of intergovernmental relationships was effected as severe limitations were established for both the Federal and State levels of government,

specifically within the Block Grant legislation and generally within the context of an evolving fiscal federalism. Fiscal management was left in quandry as Section 1745 of the Omnibus Budget Reconciliation Act of 1981 and § 298.17 of the proposed Chapter 2 regulations require each State to conduct financial and compliance audits every two years. This requirement, however, in no way limits the authority of the Comptroller General or the Inspector General to audit Chapter 2 funds also.

A vast degree of ambivalence seems to characterize the advent of the Block Grant among educators. Optimists proclaim that we have achieved the best of all possible worlds. Pessimists fear that this is true. The reactions remind me of the chief clerk who said to his bureau head in a Federal department back in Washington, "our files are so crowded we're going to destroy any papers more than five years old." "Good thinking" said the boss, "but be sure to make copies of everything you're going to destroy."

An adequate assessment of the effects of block grants on educational fiscal management must await sufficient data. I would like to speculate some probable effects, however, based on three factors:

I. Lessons Learned from Past Block Grants

II. Some Statutory Fiscal Management Provisions of Chapter 2

III. Some Effects of Block Grant Implementation on Selected States and cities

Lessons Learned from Past Block Grants

Five block grants were established at the federal level prior to 1981. they were:

-- Partnership for Health Act (PHA)

-- Omnibus Crime Control and Safe Streets Act (LEAA)

-- Comprehensive Employment and Training Act (CETA)

-- Community Development Block Grants (CDBG)

-- Title XX Social Services

Each of these block grants was designed to provide funds as specified by statutory formula for use in broad functional areas. The grantees were allowed considerable discretion in identifying problems, designing programs, and allocating resources. A summary of some management-related experiences under these five pre-1981 block grants can provide a context within which block grants for education may be assessed.[1]

Stability

A serious question about the stability of the block grant as a funding mechanism is raised by such a summary. LEAA has been abolished. PHA was merged into a large new block grant. The block grant component of CETA had an uneven history and recently was eliminated. The Title XX Social Service program was amended and became the major component of the new Social Service Block Grant. Only the CDBG entitlement program continues intact and similar to its original form.

Accountability

Grantees accountability for Federal dollars was insured by planning, spending, record keeping and reporting, and auditing requirements under the pre-1981 block grants, and specified in the legislative provisions and regulations. However, the amount of flexibility allowed grantees under the earlier grants different from block to block. These four types of requirements increased in number and complexity over time.

[1]These observations are based on a September 23, 1982 Report to the Subcommittee on Oversight of the Committee on Ways and Means United States House of Representatives (GAO/IPE=82-8) by the U.S. General Accounting Office.

Administrative Costs

There was no conclusive pattern to the effects of the pre-1981 block grants on the administrative costs of state and local grantees. It may be recalled that in the debate on the 1981 block grants, the Administration asserted that administrative cost savings would offset Federal reductions of more than 20 percent in spending. Generally, the Government Accounting Office found that:

-- consolidating the categorical programs into CDBG, CETA, and PHA had mixed effects on administrative costs and

-- the costs of administering three of the five original block grants were within the range of the costs of administering categorical grants generally.

A 1978 study of two block grants and 70 categorical programs had found that on the average block grants were more costly to administer than categoricals.[2] It seems evident that the question of administrative costs for block grants and categorical grants warrant additional research. Factors other than the type of grant-in-aid mechanism are germane to such research. For example, the type of service that is provided, program size, the dollar costs of programs, and number of administrative units are significant considerations. It is safe to conclude on the basis of available information that consolidating categorical programs did not consistently reduce administrative costs. Even the lowest estimates of administrative costs for block grants were within the range of estimates for categorical grants. Moreover, there is some question about whether administrative costs adequately reflect a program's actual administrative burden. It is conceivable that the block grants enacted before 1981

[2]U.S. Government Accounting Office. The Federal Government Should But Doesn't Know the Cost of Administering Its Assistance Programs, GGD-77-87. Washington, D.C.: 1978.

affected aspects of administrative burden that were not captured in the reported cost measures.

Evaluation

Evaluation includes the systematic assessment of the process, operation, or impact of the pre-1981 block grants. These efforts varied widely among the five block grants. Three categories, however, may be employed to summarize Federal evaluation activities related to them -- process or management evaluations, evaluation through management information systems, and impact or effectiveness evaluations.

With primary funding from the Ford Foundation, CETA helped fund a comprehensive process evaluation which provides an adequate example of that type. The final report of that evaluation explored the interrelationship of the various objectives and titles of CETA and examined targeting, program outcomes, program choices, and quality.[3] Another example of management evaluation was the LEAA block grant program study, conducted by the Advisory Commission on Intergovernmental Relations. The legislative history, implementation, and funding of LEAA for 1968-75 were examined by ACIR in that evaluation. The study emphasized the planning function as organized through mandated State planning agencies and regional planning units. ACIR used national surveys, case studies in ten states, a review of grant applications, and other data in its study.[4]

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[3]Mirengoff, William, and Lester Rindler. CETA: Manpower Programs Under Local Control. Washington, D.C.: National Academy of Science, 1978.

[4]Advisory Commission on Intergovernmental Relations. Safe Streets Reconsidered: The Block Grant Experience 1968-1975. Washington, D.C.: 1975.

Management information systems can address questions on the amount of assistance available, the number of recipients served, and the types of activities funded. An example of the use of a management information system for evaluation was provided when LEAA had difficulty in reporting on the use of its fund. The agency created a management information system to trace its expenditures. HUD tabulated a sample of local applications to produce an annual report on the intended uses of CDBG funds. CETA employed both a management information system and a more detailed sample survey system, the Continuous Longitudinal Manpower Survey, or CLMS.[5] Title XX's management information system, called Social Services Reporting Requirements, was implemented so as to enable that agency to give Congress accurate information on how PHA funds were used.

Effectiveness evaluations of the CDBG and CETA block grant programs were undertaken. Overall, block grant programs differ with respect to the technical and procedural barriers to the successful completion of effectiveness evaluations. The issue of impact or effectiveness is critical and LEAA for example, was weakened by its inability to document either the overall impact of Federal funds or its successful programs and strategies.

With the possible exception of the first year of PHA, Federal agencies were authorized to evaluate the early block grant programs either under the block legislation or as part of general authority to evaluate agency programs. For example, in pre-1981 block grants, the Secretary of Health and Human Services "shall provide for the continuing evaluation of state programs."[6] Under CETA, both authority and specific

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[5] U.S. Department of Labor. "The Continuous Longitudinal Manpower Survey (CLMS)." Washington, D.C.: 1980.

[6] P.L. 93-647, sec. 2006 (a).

responsibilities were delineated.[7]

ESEA Title IV

Frequently the term consolidation is mistakenly treated as a synonym for block grant. A consolidation of categorical programs, however, does not necessarily result in a block such as the five pre-1981 discussed above. For instance, a number of categorical grants may be merged into a relatively large, structurally simplified, and procedurally streamlined program without affecting substantially the degree of recipient discretion or the number or intensiveness of federal regulations. Title IV of the Elementary and Secondary Education Act (ESEA) provides an example of consolidation.

Title IV ESEA, while not a block grant, represented the first major consolidation of federal education programs. The program consisted of two parts B and C. Title IV-B included programs authorized by ESEA Title II (school library resources, textbooks, and other instructional materials; the testing, counseling, and guidance components of ESEA Title III; and Title III of the National Defense Education Act (NDEA) (support for strengthening instruction in academic subjects). Title IV-C comprised those objectives of ESEA Title V (strengthening the leadership resources of state education agencies and local school districts), and Sections 807 (dropout prevention) and 808 (health and nutrition projects for low income families of ESEA.

Conclusions drawn from evaluations of Title IV do not provide a good test of the merits or costs of program consolidation.[8] However, they do

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[7] P.L. 93-202, sec. 313 (a).

[8] See, for example, McDonnell and McLaughlin. Program Consolidation and the State Role in ESEA Title IV. Santa Monica, CA.: Rand, 1980.

suggest a number of requisites for successful Federal consolidation policy. First, they point out the instability of a consolidation built on political rather than substantive logic. In ESEA Title IV, Congress consolidated programs that offered little political resistance, not programs that were substantively or procedurally compatible. Second, the Title IV legislation contained no language to suggest congressional commitment to a consolidated program effort, nor did it include incentives to encourage the institutional changes assumed by consolidation. Because a categorical perspective is firmly entrenched at all three levels of government, in the absence of new incentives categorical program staff see little to gain from dismantling their fiefdoms to become part of a broader consolidated effort. Yet breaking down categorical boundaries is central to the success of consolidation. Finally, evaluation of Title IV indicate that the effects of a consolidated strategy will differ according to the organizational environment into which it is introduced. Pro forma changes, such as naming a new program director or consolidating staff, can have no effect on day-to-day program operations if management is not committed to the goal of consolidation. In the absence of a supportive federal response or the introduction of persuasive new incentives, state and local responses to a new policy such as consolidation will depend almost entirely on preexisting management perspectives.

Some Statutory Fiscal Management Provisions of Chapter 2

Chapter 2 of the Education Consolidation and Improvement Act was enacted as part of Subtitle D of Title V of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). It consolidates twenty-eight education grant programs funded in fiscal year 1981 into a single

authorization totaling $589 million, less than 10 percent of all Federal spending on education.[9]

The Education Block Grant legislation consolidates most of the programs formally authorized under Titles II-IX of ESEA and certain other programs. It introduced a new era of federal grants-in-aid to the nation's elementary and secondary schools. Perhaps of greater importance, it altered the relationships among federal, state, and local levels of government by focusing greater authority in the use of federal funds than previous legislation on state and local educational agencies.

Certain provisions of Chapter 2 seem to have significant ramifications for state and local fiscal management. Those provisions relate to: Maintenance of effort; Supplementation; Availability of Funds; Private School Participation; Record keeping and Fiscal Audit Requirements; and Program Evaluation. Each of these is briefly discussed below.

Maintenance of Effort

Section 585 (a) of Chapter 2 and Sections 298.11-298.12 of the Regulations provides that to receive its full share of federal funds, the State education agency must demonstrate that the State's "combined fiscal effort per student" or aggregate expenditures for public education

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[9]The largest single Federal education funding program, Title I of the Elementary and Secondary Education Act remains a separate program as do Federal programs for the handicapped, vocational education, bilingual education, and impact aid.

[10]Unless otherwise noted, this discussion is based on information from two sources: Title V, Subtitle D of Public Law 97-35 (95 Stat. 357; and Federal Register, Vol. 47, No. 30, Friday 12, 1982.

for the preceding year were not less than 90 percent of the level for the second preceding year. As the Secretary of Education interprets Chapter 2, this provision does not authorize an SEA to reduce an LEA's allocation if that LEA caused the SEA to fail to maintain effort. Nothing in Chapter 2, however, forbids an SEA from allocating the Chapter 2 funds reserved for State use to only those LEAs that maintained effort. Nor are expenditures for private education considered in a maintenance of effort determination, which is calculated on the basis of either the combined fiscal effort per student or the aggregate expenditures, within the State with respect to the provision of free public education. The Secretary may waive, for one fiscal year only, the maintenance of effort requirement if he determines that such a waiver would be equitable due to exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the resources of the State. The Secretary does not consider tax initiatives or referenda to be exceptional or uncontrollable circumstances.

Supplementation

Section 585 (b) of Chapter 2, and Section 298.13 of the regulations provide that to receive block grant funds, both the SEA and LEA's must be prepared to demonstrate these funds supplement and, to the extent practical increase the level of funds that in the absence of federal support, would be available from non-federal sources for purposes supported by block grant funds. By enacting this provision, Congress intended that Chapter 2 funds be used only to supplement the educational programs generally offered with State and local funds. To be in compliance with this requirement, therefore, an SEA or LEA may not divert State

and local funds from an activity merely because Chapter 2 funds are available. A specific example of such a circumstance is any program that an SEA or LEA is required by law to provide. Another example of supplanting is taking an LEAs Chapter 2 funds into account in determining the amount of funds a State must supply to an LEA under its school finance equalization formula.

Obligation of Funds

As provided in Section 298.14 of the Chapter 2 Regulations, an SEA or LEA may obligate funds during the fiscal year for which the funds were appropriated and during the suceeding fiscal year. The time at which funds are considered to be obligated is determined according to standards commonly used in the State in which the SEA or LEA is located.

Private School Participation

Assurance by SEA and LEA's of the equitable participation by non-public school students is provided in Section 586 (a)-(c) of Chapter 2, and in Sections 298.21-298.28 of the regulations. An LEA is required to expend a comparable amount for private school children out of the 80 percent allocation which it receives, and the services are to be secular, neutral, and nonideological. If the LEA does not meet this requirement, the SEA is required to ensure this happens. In addition, if an LEA does not apply to receive Chapter 2 funds, the SEA is required to make arrangements for non-public school children to receive the services they would receive if the LEA participated. Similarly, the SEA must assure that its programs created through the 20 percent reserve funds are equitably available to non-public school children. If the Secretary determines that an LEA or SEA has substantially failed or is unwilling to provide

for the equitable participation of children in private schools, the Secretary must make special arrangements for the provision of such services.[11]

The LEA must provide Chapter 2 benefits to children enrolled in non-public schools within the LEA, regardless of where those children reside. If private school officials in an LEA reject Chapter 2 services for their students, that LEA may retain the Chapter 2 funds generated by those private school children for other authorized Chapter 2 purposes.

Control and administration of Chapter 2 funds must be in a public agency. Likewise, Chapter 2 services must be provided by employees of a public agency or through contract by such public agency with a person, association, agency, or corporation that is independent of the private school and of any religious organization. Such employment or contract must be under the control and supervision of the public agency. However, this requirement does not preclude an LEA from hiring private school teachers to provide Chapter 2 services to private school children outside the normal school day. Administrative costs for providing Chapter 2 services to private school children may be paid from the LEA's Chapter 2 allocation.

Record Keeping and Fiscal Audits

The Chapter 2 enabling legislation for education block grants tends to tighten reporting requirements when compared with pre-1981 block grants. They also tend to be less restrictive in terms of planning and spending. In effect, the Federal Government has chosen to rely more

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[11] Silverstein, Robert and McMullan, Sandra. The Education Consolidation and Improvement Act of 1981. Washington, D.C.: National Association of State Boards of Education, 1981, p. 14.

heavily on accountability mechanisms that give a retrospective view of program operations and accomplishments than on those that would lead to more direct involvement in program decision making. As such, reporting and auditing mechanisms are more heavily emphasized in this block grant than in pre-1981 block grants. These, however, tend to be intrastate in nature as opposed to interstate mechanisms that could lead to more direct involvement in program decision making. Depending on how these accountability provisions are implemented, and on the scope, topical coverage, and implementation of voluntary State efforts to establish and maintain common reporting systems, variations in the quality and comparability of State-collected data could affect the ability of the Federal government to monitor the effectiveness of social targeting, administrative costs, and progress toward meeting national objectives, should it choose to do so.[12]

The following sections contain record keeping requirements applicable to --

SEAs

Section 564 (a) (6) of Chapter 2
Section 435 (b) (5) of GEPA
Section 298.15 of the regulations

LEAs

Section 566 (a) (3) of Chapter 2
Section 436 (b) (3) of GEPA
Section 298.15 of the regulations

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[12] U.S. General Accounting Office. Report to the Chairman of the Subcommittee on Oversight of the Committee on Ways and Means, U.S. House of Representatives. Washington, D.C.: September 23, 1982, p. 24.

Generally, states are required to keep records and provide information to the Secretary as may be required for fiscal audit and program evaluation, consistent with the responsibilities of the Secretary under Chapter 2. Local educational agencies, in their application, must agree to keep records and provide information to the SEA as may reasonably be required for fiscal audit and program evaluation, consistent with the responsibilities of the SEA under Chapter 2. For the purpose of evaluating and reviewing the use of Chapter 2 funds, the Inspector General of the Department and the Comptroller General are authorized to conduct audits and shall have access to any books, accounts, records, correspondence or other documents that (a) are related to programs assisted with Chapter 2 funds, and (b) are in the possession, custody, or control of SEAs, LEAs, or any grantee of SEAs or LEAs.

Program Evaluation

The Education Consolidation and Improvement Act gives a less explicit role for program evaluation to the Department of Education and a greater role to the States than did earlier block grants. It instructs the Secretary to offer guidance in conducting evaluations but not to issue regulations for these activities. Local educational agencies must conduct effectiveness evaluations that employ objective measures of performance and determine whether improvements in the performance can be sustained over time. Beginning with fiscal year 1984, States are required to provide for an annual evaluation of the effectiveness of programs assisted under Chapter 2, which shall include comments of the State advisory committee, and shall be made available to the public. Evaluation activities are considered to be administrative costs. This emphasis on placing responsibility for program evaluation

at the State level raises a question of whether there will be an authoritative source of nationwide information on the nature of Chapter 2 program operations, the levels and types of services available, or the impact of programs on the problems they intend to help resolve.

Some Effects of Block Grant Implementation on Selected States and Cities

For the 1981-82 school year, estimates of federal aid to all States showed a decline of 3.1 percentage points. This is in sharp contrast to the annual growth of 10.2 percent in federal aid to education over the six years prior to that time. The economy was in a weakened condition: production and productivity were down, unemployment was up, and the damage to the public school institution severe. In many school systems experiencing fund shortages, the pay scales of employees were losing purchasing power while teaching materials and supply inventories were depleted and school plants were undermaintained. Even then a random review of numerous states' fiscal plans revealed sharp reductions in the amount many states would channel to their subordinate governmental units and to their school districts. These reductions were, in part, functions of internal economies and revenue cutbacks, but they also stemmed from established or anticipated slices in the cash flow from Washington. At the local level, tax bases were dissipated as the result of tax caps, expenditure limitations, and reductions in taxes.[13] Within this economic context, the Education Consolidation and Improvement Act was enacted with the assumption that State and local education agencies could and would

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[13]Adams, E. Kathleen. A Changing Federalism: The Condition of the States. Denver, Colorado: Education Commission of the States, 1982. p. 9.

assume the slack that occurred as the effects of a 25 percent recissions in federal aid to education. One certain effect of the provisions of the Education Block Grant was a large-scale redistribution of funds-from urban desegregated school districts to sparsely populated areas; from public schools to private; from states with deteriorating budget positions to states which had the ability to export tax burdens on the production and sale of oil, gas and other natural resources.

State Allotments

Funds appropriated for the Education Block Grant were distributed to State education agencies on a formula basis. After deducting 1 percent of available funds for the Trust Territories and 6 percent for the Secretary, allotments were made to States on a basis proportionate to their respective shares of the school-age (5 through 17) population in the nation. No State, however, received less than 0.5 percent of the funds reserved for State allotments. Table 1 shows projected allotments to States of funds under Chapter 2 of the Education Consolidation and Improvement Act of 1981. When compared to the relative fiscal and Political capacity of States to handle changes established by the Education Commission of the States, little relation to fiscal need of States was indicated by these allotments.[14]

Allocation of Funds to LEAs

From funds allotted to States, the SEA may retain an amount not to exceed 20 percent for its own use. At least 80 percent must be allocated to LEAs according to the relative enrollments in public and nonpublic schools within the school districts of such agencies, adjusted, in

[14] Ibid, pp. 60-61.

Table 1

Projected Allotments to States of Funds under Title II
of the Education Consolidation and Improvement Act of 1981

State	Estimated Title II Entitlements		
	Total	Local Share	State Share
Alabama	$ 9,425,000	$ 7,540,000	$ 1,885,000
Alaska	2,768,000	2,215,000	554,000
Arizona	5,915,000	4,732,000	1,183,000
Arkansas	5,286,000	4,229,000	1,057,000
California	51,617,000	41,294,000	10,323,000
Colorado	6,511,000	5,209,000	1,302,000
Connecticut	7,416,000	5,933,000	1,483,000
Delaware	2,768,000	2,215,000	554,000
Dist. of Columbia	2,768,000	2,215,000	554,000
Florida	18,552,000	14,842,000	3,710,000
Georgia	13,023,000	10,418,000	2,605,000
Hawaii	2,768,000	2,215,000	554,000
Idaho	2,768,000	2,215,000	554,000
Illinois	27,624,000	22,099,000	5,525,000
Indiana	13,597,000	10,877,000	2,719,000
Iowa	7,107,000	5,686,000	1,421,000
Kansas	5,397,000	4,317,000	1,079,000
Kentucky	8,641,000	6,913,000	1,728,000
Louisiana	10,727,000	8,582,000	2,145,000
Maine	2,737,000	2,190,000	547,000
Maryland	10,286,000	8,229,000	2,057,000
Massachusetts	13,685,000	10,948,000	2,737,000
Michigan	23,695,000	18,956,000	4,739,000
Minnesota	10,087,000	8,070,000	2,017,000
Mississippi	6,589,000	5,271,000	1,318,000
Missouri	11,467,000	9,173,000	2,293,000
Montana	2,768,000	2,215,000	554,000
Nebraska	3,797,000	3,037,000	759,000
Nevada	2,768,000	2,215,000	554,000
New Hampshire	2,768,000	2,215,000	554,000
New Jersey	17,658,000	14,127,000	3,532,000
New Mexico	3,289,000	2,631,000	658,000
New York	41,905,000	33,524,000	8,381,000
North Carolina	13,663,000	10,930,000	2,733,000
North Dakota	2,768,000	2,215,000	554,000
Ohio	26,609,000	21,287,000	5,322,000
Oklahoma	6,622,000	5,297,000	1,324,000
Oregon	5,662,000	4,529,000	1,132,000
Pennsylvania	27,381,000	21,905,000	5,476,000
Puerto Rico	9,580,000	7,664,000	1,916,000
Rhode Island	2,768,000	2,215,000	554,000
South Carolina	7,527,000	6,021,000	1,505,000
South Dakota	2,768,000	2,215,000	554,000
Tennessee	10,496,000	8,396,000	2,099,000
Texas	32,844,000	26,275,000	6,569,000
Trust Territories	5,890,000	-	-
Utah	3,576,000	2,861,000	715,000
Vermont	2,768,000	2,215,000	554,000
Virginia	12,482,000	9,986,000	2,496,000
Washington	9,039,000	7,231,000	1,808,000
West Virginia	4,437,000	3,549,000	887,000
Wisconsin	11,721,000	9,377,000	2,344,000
Wyoming	2,768,000	2,215,000	554,000

Source: National Association of State Boards of Education

accordance with criteria approved by the Secretary, to provide higher per pupil allocations to local educational agencies which have the greatest numbers or percentages of children whose education imposes a higher than average cost per child, such as -

(1) children from low-income families

(2) children living in economically depressed urban and rural areas, and

(3) children living in sparsely populated areas.

Table 2 provides a summary of State allocation formulas for Chapter 2 funds. A wide range of factors are associated with those formulas. Of interest, however, is the absence of density or other factors specifically associated with urban adjustments. The income adjustments might achieve that effect.

Impact on Urban School Districts

An analysis of State formulas conducted by the Council of the Great City Schools indicated that funding for abolished categorical programs were being used to sponsor general purpose projects throughout the States. Moreover, the Council's review of all State applications revealed that "the Secretary of Education could not have had enough information to have made a reasonable decision on whether the formulas meet the intent of the law." In 1980-81, twenty large urban school districts received about $110 million in programs subsequently included in the Education Block Grant, 64 percent of which was from ESAA. In the current school year, those same school districts received approximately $38 million to fund desegregation and all other efforts in the block grant. That amount was 20 percent below what the districts had received in ESAA alone in 1980-81.[14] Table 3

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[15]Casserly, Michael D. "City School Desegregation and Block Grant Legislation, A Report Prepared for the House Subcommittee on Civil and Constitutional Rights." Washington, D.C.: Council of the Great City Schools, 1982.

Table 2

Summary of Chapter 2 (ECIA) State Formulas
by Factor

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS							
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
Alabama	$ 7,638,238	$ 763,824 10.0%	$ 6,874,414 90.0%	$ 5,499,531 80.0%	$ 557,953.12 8%	--	--	$137,488 2%	$657,441 10%	--	--
Alaska	$ 2,187,360	$ 437,472 20.0%	$ 1,749,888 80.0%	$ 524,966 30.0%	$ 437,472 25.0%	$ 437,472 25.0%	$ 349,978 20	--	--	--	--
Arizona	$ 5,101,377	$1,020,275	$ 4,081,102 80%	$ 3,264,882 80%	[Low income: weight .05; low achievers/high achievers: weight .05; small schools: weight .05; school improvement: weight .10]						
Arkansas	$ 4,376,070	$ 875,214 20%	$ 3,500,856 80%	$ 3,150,770 90%	[High cost calculated on the basis of local resources including average personal income, assessed valuation, millage rates and miscellaneous factors]						
California	$41,310,341	$8,200,000 19.5%	$33,800,000 80.5%	[Enrollment + desegregation factors(number of students moved for desegregation, number of students involved in court orders, number of magnet school students) + high cost]							
Colorado	$ 5,226,034	$1,045,206 20%	$ 4,180,827 80%	$ 3,344,661 80%	$ 710,740 17%	$ 125,424 3%	--	--	--	--	--
Connecticut	$ 5,629,327	$1,135,965 20%	$ 4,503,462 80%	$ 1,759,793 39%	$2,711,350 60%	--	--	--	--	--	$32,318 1%
Delaware	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 1,224,922 70%	$ 174,988 10%	--	$ 174,988 10%	--	$174,988 10%	--	--
D.C.	$ 2,187,360	$ 432,879 19.8%	$ 1,754,481 80.2%	$ 614,069 35%	[High cost includes handicapped children, low income, bilingual, and special curriculum.]						

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS							
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
Florida	$15,789,102*	$1,990,641 12.5%	$13,138,224 82.5%	[(FTE:adjusted by official state program weights + number of children at or below 25th percentile on most recent statewide compensatory test) x (statutory district cost differential)]							
Georgia	$10,871,064	$2,174,213 20%	$ 8,696,851 80%	$ 4,348,426 50%	$4,348,426 50%	--	--	--	--	--	--
Hawaii	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 1,749,888 100%	--	--	--	--	--	--	--
Idaho	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 1,487,405 85%	$ 174,989 10%	$ 87,494 5%	--	--	--	--	--
Illinois	$21,174,245	$4,234,848 20%	$16,939,316 80%	$11,856,177 70%	$5,081,819 30%	--	--	--	--	--	--
Indiana	$10,588,588	$2,117,717 20%	$ 8,470,870 80%	$ 7,030,850 83%	$1,270,319 15%	$ 170,001 2%	--	--	--	--	--
Iowa	$ 5,333,733	$1,066,747 20%	$4,266,986 80%	$ 3,200,240 75%	$ 853,397 20%	--	--	--	--	$213,349 5%	--
Kansas	$ 4,131,745	$ 826,349 20%	$3,305,396 80%	[FTE: weight 1.0; special education: weight 0.2; Title I: weight 0.5; sparsity: weight 0.2]							

*Includes a 5% or $796,258 commissioners discretionary grant

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS							
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
Kentucky	$ 7,062,039	$1,412,408 20%	$ 5,649,631 80%	(Enrollment + high transport costs for sparse LEAs + Title I eligible + high tax/low expenditure rates)							
Louisiana	$ 8,550,185	$1,710,037 20%	$ 6,840,148 80%	$5,814,126 85%	$ 684,015 10%	--	--	--	$ 342,007 5%	--	--
Maine	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$1,049,932 60%	$ 699,955 40%	--	--	--	--	--	--
Maryland	$ 7,901,277	$1,580,255 20%	$ 6,321,022 80%	$5,056,818 80%	(Title I eligible + handicapped)						
Massachusetts	$10,179,203	$2,035,841 20%	$ 8,143,362 80%	$3,257,345 40%	$4,886,017 60%	--	--	--	--	--	--
Michigan	$18,242,264	$3,684,453 20%	$14,593,811 80%	$8,499,359 58%	--	$ 939,865 6%	--	--	--	--	$2,565,456 (low achieving) $2,589,128 (desegregation)
Minnesota	$ 7,634,133	$1,526,827 20%	$ 6,107,306 80%	$5,191,210 85%	$ 610,730 10%	$ 305,365 5%	--	--	--	--	--

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS							
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
Mississippi	$ 5,286,720	$1,057,344 20%	$ 4,229,376 80%	$4,017,907 95%	--	--	--	--	--	--	$211,468 5%
Missouri	$ 8,900,251										
Montana	$ 2,187,360	$437,472 20%	$ 1,749,888 80%	(Enrollment: weight 1.0; low income: weight 2.0; sparsity: weight 0.5; tax effort: weight 1.0)							
Nebraska	$ 2,862,882										
Nevada	$ 2,187,360	$437,472 20%	$1,749,888 80%	(" weighted enrollement/state weighted enrollment X LEA pupil support ratio)							
New Hampshire	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 874,944 50%	--	$ 291,706 16.67%	$ 291,706 16.67%	$ 291,706 16.67%	--	--	--
New Jersey	$13,483,247	$2,696,983 20%	$10,787,930 80%	$3,236,379 30%	$2,157,586 20%	--	--	--	$589,396 5%	--	$2,696,982 (Basic Skills) $2,157,586 (Desegregation)

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS							
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
New Mexico	$ 2,666,637	$ 533,327 20%	$ 2,133,310 80%	$1,722,417 70%	$ 738,179 30%	--	--	--	--	--	--
New York	$31,353,236	$6,270,647 20%	$25,082,589 80%	[Enrollment: weight 1.0; half day kindergarten: weight .5; grades 7-12: weight .25; pupils in low wealth districts: weight .35; handicapped: weight ranging from 2.0 to .13; LEP: weight .05; 20% hold harmless on 1980-81 categoricals for first year]							
No. Carolina	$11,053,883	$2,209,490 20%	$ 8,837,961 80%	$6,186,573 70%	--	--	--	--	--	--	$2,651,388 (School Lunch)
North Dakota	$ 2,187,360	$ 437,472	$ 1,749,888 80%	$1,513,756 87%	$ 174,174 10%	$ 61,598 3%	$ --	--	--	--	--
Ohio	$20,366,440	$4,073,288 20%	$16,293,152 80%	[Enrollment: weight 1.0; high tax/low yield: weight 1.5; low income: weight 2.0; sparsity: weight 10.0; special purpose programs: weight 3.0]							
Oklahoma	$ 5,487,749	$1,097,550 20%	$4,390,199 80%	$3,512,159 80%	$ 219,510 5%	$ 219,510 5%	$ 219,510 5%	--	--	--	$219,510 5% (small schools)
Oregon	$ 4,634,193	$ 926,838 20%	$3,707,354 80%	$2,595,148 70%	[Low income + sparsity + handicapped + desegregating students + LEP + gifted and talented on an equal per capita basis]						

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS							
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
Pennsylvania	$20,977,320	$3,633,000 17.3%	$17,376,000 82.7%	$10,420,200 60%	$6,078,450 35%	$ 868,350 5%	--	--	--	--	--
Rhode Island	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 1,049,933 60%	(Upper 25% of districts with high concentrations of low income + handicapped + LES)						
South Carolina	$ 6,207,221	$1,241,443 20%	$ 4,965,777 80%	$ 3,476,047 70%	$1,489,730 30%	--	--	--	--	--	--
South Dakota	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 1,574,899 90%	--	$ 87,494 5%	$ 87,494 5%	--	--	--	--
Tennessee	$ 8,583,914	$1,716,783 20%	$ 6,867,131 80%	(Enrollment: weight 1.0; high cost (undefined): weight .5)							
Texas	$27,688,367	$5,522,280 20%	$22,150,693 80%	$15,963,929 62%	$3,221,008 20%	--	$1,706,459 10.5%	--	--	$1,222,652 7.3%	$ 34,214 0.2%
Utah	$ 3,090,754	$ 618,151 20%	$ 2,472,603 80%	(Enrollment + students in small schools + handicapped + youths in custody + vocational education students + professional staff costs + special purpose programs)							
Virginia	$ 9,830,541	$1,966,108 20%	$7,864,432 80%	$ 5,111,881 65%	(Low income: weight .698; low achieving: weight .698)						
Vermont	$ 2,187,360	$ 437,472 20%	$1,749,888 80%	$ 1,049,933 60%	$ 540,009 30%	$ 159,945 10%	--	--	--	--	--

State	Total Allocation	Total SEA	Total LEA	LEA FACTORS						
				Enrollment	Low-Income	Sparsity	Handicapped	Tax Effort	Gifted	Bilingual	Other
Washington	$ 7,352,566	$ 1,470,512 20%	$ 5,882,053 80%	$ 2,951,027 50%	$ 882,308 15%	--	--	--	$588,205 10%	$294,102 5%	$1,176,410 20% (racial isolation)
W. Virginia	$ 3,654,895	$ 530,979 20%	$ 2,923,915 80%	$ 2,339,132 80%	$ 146,196 5%	--	$ 146,196 5%	--	--	--	$ 292,392 10% (Regional Ed. Service Agencies)
Wisconsin	$ 8,923,105	$ 1,784,621 20%	$ 7,138,483 80%	$ 3,569,241 50%	--	--	--	--	--	--	$3,569,241 50% (high cost)
Wyoming	$ 2,187,360	$ 437,472 20%	$ 1,749,888 80%	$ 1,014,932 58%	$ 34,997 2%	$ 34,997 2%	--	$ 594,961 34%	$ 52,496 3%	--	--

Source: The Council of the Great City Schools

Table 3

PRELIMINARY ESTIMATES
GAINS AND LOSSES UNDER BLOCK GRANTS FOR
SELECTED STATES AND CITIES

State/City	1981-82 Categoricals	1982-83 Block Grant+	% Change	
COLORADO	$ 5,470,881	$ 5,226,034	- 4.4%	
Denver	784,158	717,846		- 8.5%
Balance of State	4,686,723	4,508,188	- 3.8%	
DISTRICT OF COLUMBIA	$ 5,081,817	$ 2,187,360		-56.9%
FLORIDA	$ 15,189,568	$ 15,789,102	+ 3.9%	
Miami	2,624,958	2,160,694		-17.7%
Balance of State	12,564,610	13,628,408	+ 8.5%	
GEORGIA	$ 12,412,579	$ 10,871,064	-12.4%	
Atlanta	1,300,000	786,000		-39.5%
Balance of State	11,112,579	10,085,064	- 9.3%	
ILLINOIS	$ 22,001,556	$ 21,174,245	- 3.7%	
Chicago	6,833,669	4,750,000		-30.5%
Balance of State	15,167,887	16,424,245	+ 8.3%	
LOUISIANA	$ 11,553,890	$ 8,550,185	-25.9%	
New Orleans	1,903,758	658,400		-65.4%
Balance of State	9,650,132	7,891,785	-18.2%	
MARYLAND	$ 7,231,962	$ 7,901,277	+ 9.2%	
Baltimore	895,598	1,350,000		+50.7%
Balance of State	6,336,364	6,551,277	+ 3.4%	
MASSACHUSETTS	$ 10,653,970	$ 10,179,203	- 4.4%	
Boston	1,056,479	800,000		-24.3%
Balance of State	9,597,491	9,379,203	- 2.3%	
MICHIGAN	$ 20,542,592	$ 18,242,264	-11.2%	
Detroit	4,249,476	3,400,000		-20.0%
Balance of State	16,293,116	14,842,264	- 8.9%	
MINNESOTA	$ 6,610,381	$ 7,634,133	+15.4%	
Minneapolis	610,712	272,996		-55.3%
Balance of State	5,999,669	7,361,137	+22.7%	
MISSOURI	$ 17,567,404	$ 8,900,251	-49.3%	
St. Louis	5,131,487	708,000		-86.2%
Balance of State	12,435,917	8,192,251	-34.1%	

State/City	1981-82 Categoricals	1982-83 Block Grant+	% Change	
NEW YORK	$ 48,291,827	$ 31,353,236	-35.0%	
Buffalo	7,651,652	950,000		-87.6%
New York City	14,238,100	8,470,000		-40.5%
Balance of State	26,402,075	21,933,236	-16.9%	
OHIO	$ 25,208,194	$ 20,366,440	-19.2%	
Cleveland	4,647,259	900,000		-80.6%
Toledo	814,496	371,000		-54.5%
Balance of State	19,746,439	19,095,440	- 3.3%	
OREGON	$ 4,296,691	$ 4,634,193	+ 7.8%	
Portland	645,500	500,000		-22.5%
Balance of State	3,651,191	4,134,193	+13.2%	
PENNSYLVANIA	$ 20,340,163	$ 20,977,320	+ 3.1%	
Philadelphia	6,573,959	3,427,651		-47.9%
Balance of State	13,766,204	17,549,669	+27.5%	
TENNESSEE	$ 7,862,551	$ 8,583,914	+ 9.2	
Memphis	997,737	948,066		- 5.0%
Nashville	795,675	556,823		-30.0%
Balance of State	6,069,139	7,688,367	+26.7%	
TEXAS	$ 27,272,790	$ 27,688,367	+ 1.5%	
Dallas	2,663,471	1,001,260		-62.4%
Balance of State	24,609,319	26,687,107	+ 8.4%	
WASHINGTON	$ 9,658,260	$ 7,352,566	-23.8%	
Seattle	4,230,337	731,530		-82.7%
Balance of State	5,427,923	6,621,036	+22.0%	
WISCONSIN	$ 13,788,358	$ 8,923,105	-35.2%	
Milwaukee	7,824,647	2,695,606*		-65.6%
Balance of State	5,963,711	6,227,499	+ 4.4%	

* Includes funds from State portion of Chapter 2.
+ Block grant amount in each city represents funds for public schools only, and should be considered as estimates. Data on 1981-82 State categorical obtained from Education Commission of the States.

Source: The Council of the Great City Schools

presents some preliminary estimates of gains and losses for States and cities under Chapter 2. With the exception of Baltimore, large urban school districts included in the survey sustained substantial losses under the Education Block Grant. The magnitude of those losses ranged from 87 percent in Buffalo to 5 percent in Memphis. Even more revealing is the fact that in no instance did school districts outside urban areas loose to a greater degree than did their urban counterparts.

Summary

The allocative decisions relating to education are investment decisions concerning man. The rate of return to that investment significantly will be impacted by the goals, scope, organization and management techniques accepted and utilized. The goals, scope, organization and management of numerous federal education grants-in-aid were affected by the Education Consolidation and Improvement Act.

A context within which block grants may be assessed is provided by some lessons learned from early block grants experiences. These experiences seem to indicate a tendency toward instability; an increase in planning, spending, record keeping and reporting, and audit requirements was realized; the effects of consolidation on administrative costs were mixed. Evaluation of the five pre-1981 block grants were conducted through three techniques: process or management evaluations, management information systems, and impact or effectiveness evaluations.

In addition to the early block grants, lessons can be learned through the study of federal grant-in-aid consolidation, such as ESEA Title IV. A review of that consolidation effort revealed three cogent considerations germane to Federal grant consolidation: (1) consolidation efforts should

be based on programmatic substance and/or procedures, rather than on political considerations; (2) Congressional commitment to consolidation should be expressed and incentives to encourage institutional changes should be provided; (3) the effects of a consolidation strategy will vary according to the organizational environment into which it is introduced.

Chapter 2 of the Education Consolidation and Improvement Act consolidated twenty-eight education grant-in-aid programs into a single authorization totaling $589 million, less than 10 percent of all Federal spending on education. Perhaps of greater importance, it altered the relationships, among the federal, State, and local levels of government. Many of the provisions of this legislation have significant ramifications for State and local fiscal management. Those provisions relate to: maintenance of effort; supplementation; availability of funds; private school participation; record keeping and fiscal audit requirements; and, program evaluation.

The Education Consolidation and Improvement Act was enacted during a period of severe fiscal stringency at all levels of government. It was successful in effecting a large-scale redistribution of funds. Large urban school districts sustained substantial losses under the new block grant program for education.